



MEMORANDUM

TO: City Council

FROM: L. Kimball Payne, III, City Manager

DATE: January 24, 2002

SUBJ: Discussion of Council Goals/Priorities Regarding the FY 2003 Budget

We are well into the process of developing a proposed FY 2003 Budget for Council's consideration. Meetings have been held with each department to discuss their budget requests and initial revenue projections have been developed. As you know, the City was already facing significant financial challenges even before the current recession and the state fiscal crisis. Both of those will continue to impact our local budget with the added complication that we will probably not know the impact of actions to correct the state budget, both this year and in the new biennium, until April. Nevertheless, it is our intent to present a proposed budget to Council in mid-March.

To help us in the preparation of the proposed FY 2003 Budget, we thought that a discussion with Council regarding your concerns, issues, goals and priorities would be appropriate. As in the past, we will attempt to craft a budget consistent with Council's vision and the priorities that you reaffirmed at your retreat in October. Within that context, however, there will be many decisions required to balance available resources with the list of things that we would like to accomplish. It would be helpful to that process to hear Council's thoughts in the following areas.

- Workforce Issues and Employee Compensation: issues include employee salaries compared to market, compression of salaries, rising health insurance costs, potential salary adjustments and possible steps to reduce personnel costs. The attached document prepared by Human Resources provides some background on these issues.
- Are there any new programs or new positions that Council would like to fund? Where would resources come from for new programs or positions? One example would be the proposed rental inspection program.

- Are there any programs or positions that should be considered for elimination?
- If there are fewer resources to bring to bear, would Council rather incrementally reduce program funding, and possibly risk a reduction in quality or customer service, or would it suggest eliminating programs altogether?
- What programs or services are so important to Council that resources for those programs should be protected to the greatest extent possible? In other words, is anything untouchable?
- What are Council's thoughts about capital project priorities?
- Are any increases in tax rates out of the question? What about a greater shift to fees for service?

With these issues as a starting point, we will be prepared to listen to your concerns and hear your guidance regarding the FY 2003 Budget during the work session discussion.

CC: Leadership Team

Attachments

Workforce Issues January 2002

Workforce Demographics

- 1081 Employees holding full-time classified positions as of 1 1/20/01
- Average total compensation
 - Average Salary \$33,928
 - Benefits 8,102
 - Paid Leave 3,392
 - Total \$45,422
- Median Salary \$30,254
- Average length of employment 7years, 10 months
- Age Distribution
 - 16-29 14.65%
 - 30-39 29.66%
 - 40-49 33.48%
 - 50-59 19.02%
 - 60-69 2.18%

Turnover Statistics – Full-time classified employees

Calendar Year	Voluntary Turnover (Resignations)
2001	5.76%
2000	6.81%
1999	7.41%

2001 Salary Survey Results

- 188 Benchmarks covering 838 employees
- Overall, pay range midpoints are 97.30% of current market average
- Overall, pay range midpoints are 100.7% of the 3 year market average
 - 32 benchmark positions are between 70 and 90% of the 3 year market average
 - 95 benchmark positions are between 90 and 100% of 3 year market average
 - 61 benchmark positions are above the 3 year market average
- Average actual employee pay is 89.86% of current market average
- Average actual employee pay is 92.79% of the 3 year market average

- 88 benchmark positions have average employee pay between 70 and 90% of the 3 year average
- 53 benchmark positions have average employee pay between 90 and 100% of the 3 year average
- 42 benchmark positions have average employee pay above the 3 year average

Salary/Range Adjustment Options

Option	# Employees Affected	General Fund cost	Other Fund cost	Total Cost
Move all employees to 3 yr market average	853	\$3,811,764	\$872,150	\$4,683,914
Move all employees to at least 80% but no more than 100% of 3 yr market (prorated based on years of service with City)	592	\$1,927,345	\$425,814	\$2,353,159
Move positions >90% below market that also have turnover problems and recruitment difficulty based on 3 yr market average*	10	\$4,612	\$6,470	\$11,082
*Recommended action				

Projected FY03 Wage Increases

- It is too early to know what other localities will do
- Nationally, published surveys indicate average 2.9%-3.1% wage increases for next year

Conclusions

- Single year comparisons are impacted too much by wide fluctuations in the market. Therefore, we have started to use a 3-year market average as an indicator.
- The current pay structure is aligned with the market and does not require overall adjustment
- Actual employee pay continues to lag behind the market averages but not drastically when compared to the 3-year average. We recommend making no significant changes to the structure but awarding a 3% general wage increase to move all current employees closer to market averages
- A continuing trend of lower voluntary turnover appears to be due to a combination of factors that include consistent salary increases, a strong benefit package and a weakening external job market.